

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 274 - HB 1356

March 24, 2011

SUMMARY OF BILL: Requires a minimum of 70 percent of local education agency (LEA) operating funds be used for classroom expenditures in FY15-16, 80 percent in FY17-18, and 90 percent in FY19-20 and subsequent years. Beginning in FY11-12 and subsequent years, each LEA shall annually report to the Department of Education (DOE) the amount of classroom expenditures spent each fiscal year and the percentage of the total expenditures that the classroom expenditures represent. Expenditures shall be reported by district and by school. The report will be due by September 1 after the close of the fiscal year.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – LEAs will redirect funds to meet the required percentage of expenditures to be used for classroom expenditures. This will be done by raising new revenue, reducing non-classroom expenditures, or a combination of both. According to the Department of Education, no money will be redirected in FY15-16 to meet the required 70 percent threshold. In FY17-18, LEAs will redirect \$3,167,155,417 to meet the 80 percent threshold. In FY19-20, LEAs will redirect \$13,961,718,953 to meet the 90 percent threshold.

Assumptions:

- The BEP formula will not generate more state or local dollars to meet minimum operating expenditure threshold requirements.
- According to DOE, LEAs are currently spending an average of 71.8 percent on classroom expenditures.
- According to DOE, the state has established new reporting mechanisms that will be in conjunction with a federal reporting requirement that will eliminate the need for LEAs and the DOE to hire additional staff to comply with the bill's reporting requirements.
- Any increase in state or local expenditures to make and compile spending reports will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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